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Ontario - Hydro-Electric
Inquiry Commission 1585-1639
1922-24



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Evidence 7



HYDRO ELECTRIC INQUIRY COMMISSION.

CENTRAL ONTARIO.

Toronto November 30th, 1922.
(Sir Adam Beck.)



SIR ADAM BECK (Examined)

THE CHAIRMAN: Sir Adam, we have a copy of a letter from your files here, written on the 4th of March, 1916, addressed by you to the Hon. G. Howard Ferguson, Minister of Lands, Forests and Mines, Parliament Buildings, Toronto, and reading as follows:

"Referring to the Electric Power Company's interests in the Trent District, I would recommend that the Government offer the Electric Power Company, including all interests controlled by it, for all their physical assets (excluding the accounts receivable and payable) franchises, rights, interests, contracts, works, etc. as they existed on March 1st, 1916, and as added to since that date, the sum of \$8,350,000 in 4 per cent Government bonds, interest payable half-yearly. Bonds redeemable in fifty years, such bonds shall provide for the deferring of the sinking fund for the first ten years."

We find, in examining the Act that was passed for the taking over of the Central Ontario properties, the bonds instead of being given for fifty years covered ten years only. What was the reason for the change?

A--Well, I suppose the company that they were buying the property from were only willing to dispose of it and accept payment for it on the condition and on the basis of 4 per cent ten year bonds.

Q--Did you recommend the change? A--No, I had nothing to do with the negotiations with the company.

Q--This letter from you, in the first instance, gives in detail the offer which you recommend?

A--Well, the only negotiations I had with the company were with Mr. Holt, the President of the Company at Montreal, at his office, at the suggestion of the Minister

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of Railways and Canals, and on that occasion the President said that they would not dispose of the property for less than \$9,000,000.

Q--We were told by Mr. Ferguson and by --

A--You asked me what I know of the negotiations. Now I am trying to tell you my story. I am not telling you what the negotiations were.

Q--I will just come to that in a moment, but, first of all, as to this we were told that you were present when the negotiations were being carried on in this building on the 4th of March, 1916, and that this letter was signed by you at that time ? A--But the company was not represented that I know of at that meeting.

Q--No, the company were not represented? A--Then it was not a meeting of negotiation at all.

Q--We were told that prior to your coming here Mr. Strachan Johnston, representing the company, was present, but that he afterwards left and then you were sent for ?

A--I don't know that.

Q--And that then Mr. Lynch Staunton, who was representing you or the Government, drew up in longhand a letter, this letter, and that Mr. Gaby was called in and Mr. Gaby took it away and had it typed, and then it was brought back and you signed it. Mr. Ferguson said he would not have gone on with the negotiations unless you had signed the letter expressing your approval of the purchase?

A--It was on a Saturday, as I remember, and we could not get typewriters here, and Mr. Gaby took it down to our offices and brought it back -- I don't think that was written by Lynch Staunton.

Q--Mr. Staunton said he wrote it in longhand and it was given to Mr. Gaby? A--Not that offer.

Q--Yes. A--No.

Q--I am just telling you what they told us ?

Want to tell a language of you word, I am writing this to you
soot you will have it before you get home, hope you like it.

A--This was a small memo. of about half a dozen lines.

MR. GABY: There was a memo. prepared.

THE CHAIRMAN: Mr. Gaby, wasn't it written by Mr. Staunton?

MR. GABY: I think Sir Adam has just forgotten the details, probably. Several memos. were made at the time, and the memo which we have on file states that Mr. Lynch Staunton had written a letter and that was typed and signed by Sir Adam, but the memo. that Sir Adam is referring to is probably that memo. we had made at the time.

THE CHAIRMAN: Yes, that you made.

MR. GABY: Yes, and it may have been the basis upon which Mr. Lynch Staunton prepared that letter. He probably prepared the letter on the basis of the memo. dictated.

THE CHAIRMAN: But he prepared that letter, and you took that letter away and had it typed.

SIR ADAM BECK: I don't know who prepared the letter, but as Chairman of the Commission I was prepared to recommend to the Government that the amount they might be justified in paying was \$8,350,000, provided it could be financed on the 4 per cent basis.

THE CHAIRMAN: Q--For fifty years, that is on the terms of the letter which you signed?

A--I said on a 4 per cent basis, and the time of the bonds was suggested at 40 or 50 years, and providing that that they were exempt for the first ten years from paying sinking fund. It was a matter for the Government.

Q--Your letter is explicit, it says fifty years?

A--Yes. That provided for two things. It was financing on a basis of fifty years with ten years deferrment of sinking fund.

Q--Then, as I pointed out, Sir Adam, the agreement as finally signed between the Government and this Power

company provided not for 50-year bonds but for 10-year bonds ? A--Yes.

Q--Were you a consenting party to that change ?

A--I noticed the change, and in a conference with the Minister I asked him why the terms of the bonds had been changed, why the period of the bonds was only for a period of ten years, and he told me that the company refused to dispose of the property and accept the 50-year bonds for it. They were agreeable to the 4 per cent, but only for 10-year bonds.

Q--And did you approve of the change ? A--I had no suggestion to make. I was not buying the property, the Government was buying the property.

Q--But before buying the property they got this letter from you recommending a purchase on certain terms, then those terms were changed. Did the Government make the change on its own responsibility, or did they do it on your suggestion or with your approval?

A--I did not approve of it and I did not oppose it. We are Commissioners appointed by the Government, we are trustees for the Municipalities, and when we buy properties for the municipalities we operate them for the municipalities, but when the Province of Ontario undertakes to buy a Company and vests the operation or trusteeship in us that is entirely another matter. The Government of the Province decided its own way of acquiring the property. The Government, of course, was not the buyer as well as the seller, they were only the buyers, and they cannot fix the price unless they assume the power of expropriation, then probably another tribunal would do it.

Q--So you did not approve of this change ?

A--I did not approve or disapprove other than my recommendation, or at least my suggestion, that is all I had to make, I wasn't acting for anybody. My suggestion was that we

and the last time I saw you I was very much

surprised at your

I am very glad to receive your letter

and am very sorry to hear that you have been ill
and had to give up your work.

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and had to give up your work.

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should pay this amount of money for the property and ultimately operate it successfully, and that the property would carry itself, and it would accomplish what we wanted to accomplish, namely, eliminate competition, rather than undertake to acquire the waterpowers and operate in opposition that we would acquire the property existing, knowing very well that the policy of the Government from time to time in regard to the Trent water developments was that the whole of the water power should be under the control and ownership of one corporation, to secure an economical operation and economical results on the part of those interested in the undertaking.

Q--Wasn't the matter of this change in the terms brought before the Commission? A--I am not sure that it was.

Q--We find in your Minute Book this page, rather it is an unsigned sheet in the Minute Book, and Mr. Pope tells us it was put there so that the ^{thing} might be on record or before you:

"Draft copy of an Act to confirm an Agreement between the Electric Power Company and His Majesty the King was laid before the Board and noted. It was decided that the Chairman be authorized to communicate with the Minister of Lands, Forests and Mines, calling his attention to the fact that the agreement forming the schedule to the Act confirming the same is not in accordance with the recommendation signed by the Chairman and confirmed at the meeting of the Commission held on the 9th of March inasmuch as the long-term debentures have been changed from fifty years, with sinking fund deferred for ten years, to ten years."

A--The very fact that a memo. is placed in the Minutes of the Commission shows conclusively, in my mind, that while we might express our opinion we have no responsibility whatever

in regard to the Province purchasing the property. That was a matter of negotiation between them and the company. We told them the amount of investment that we might well be able to take care of and deal fairly by those that are using power in that district. It was a matter for the Government entirely, that is, the matter of financing, and so was the price to be paid for the property.

Q--It says here, you will note, Sir Adam:

"It was decided that the Chairman be authorized to communicate with the Minister of Lands, Forests and Mines, calling his attention to the fact --"

A--I saw him personally about it, and he said that was the best they could do. As I said before, a man cannot buy a property and sell it too. You have to have some regard as to what people want for their property.

Take the purchase deal here in Toronto for \$32,000,000. I approved of it. It was a matter of opinion, nothing more or less. It was a matter for the people of the city of Toronto to decide, and it was put to the vote whether they would pay the best price that we could get although it might be excessive. The company owned the property, we were not appropriating it, they were selling it, and that was the minimum price they would take after 18 months of negotiation, and all we could do was to submit it to the people, and the people voted and said they would accept it, by an enormous majority, at that price.

Q--Do you recall anything else that was said in your conversation with Mr. Ferguson at that time ? A--No, no.

Q--Nothing was said ? A--I don't know what was said, but I know I went to see him about it, and he simply told me they could not buy the property unless they bought it on those terms and the Government had decided to buy.

Q--Did they say that the offer which you had approved of as Chairman of the Commission did not include the Nipissing

plant? A--Yes, there was reference to that. He asked me did it include the Nipissing.

Q--Your offer just included the Trent Valley System?

A--No, the memoranda that was drawn happened to refer to it as the Trent District.

Q--Yes, it says "The Electric Power Company's interest in the Trent District"? A--The Trent District.

Q--And that is what you recommended they purchase ?

A--Yes, but there was an error there. We had not in mind that that was another District. We had an inventory of all their buildings, and this inventory included the properties in the Nipissing District. That was an error merely on the part of really Mr. Gaby who at the time wrote out this memo. or copied it. He said the properties in the Trent District, but we had in mind the whole District as included in the inventory on which we based our conclusions.

Q--Yes, that was just technical, you explained it to me that your recommendation intended that to include the Nipissing Plant as well as the Trent ?

A--All the property.

Q--I mention this because we have been told that the reason why the term of the bonds was changed was because the Nipissing District was not included in the original letter, and they said: If we put the Nipissing Plant in then you must shorten the term of the bonds ?

A--No, I don't think there is any question ever in this,-- the company may have had that idea, they probably did, but Mr. Ferguson knew when I saw him that it included the Nipissing, and he concurred in the fact that we must have meant in recommending the \$8,350,000 that it covered all the properties included in the inventory.

Q--Of course, it does not mention the inventory ?

A--No, but we had the memo. of all their properties and that was included. When I told Mr. Ferguson, I intended,

of course, that our recommendation should cover every property that was included in the property when we made our estimate of the amount that we could pay for it, and he said, well that is all right, I understand it.

Q--You had taken the Nipissing matter up ?

A--Evidently he had taken it up with them, and they had probably raised the question subsequent to this Saturday after I made this recommendation on my own behalf, The Commission did not hear of it, or knew about it or had not discussed it. We have been accustomed to talk about this as the Trent District, but the properties intended to be included, of course, always, as I said, covered all of the properties in our inventory, what the company really owned.

Q--The contention of the Electric Power Company's representative was that the Nipissing was not included in that. Was it brought to your attention before the agreement was signed ? A--Yes, it probably was.

Q--And before the agreement was signed had you made known your intention to the Minister ? A--I suppose I had.

Q-- I mention this because I see in the Minutes of March 9th, the agreement is March 10th --

"Re the recommendation of the Commission to the Government as to the offer made to the Electric Power Company, the Chairman was instructed to take this matter up with the Minister of Lands, Forests and Mines, confirming the recommendation made and making it clear that the plant of the Nipissing Power Company at North Bay was included."

A--Yes.

Q--And did you do so? A--Yes, I saw him personally as I have told you.

COMMISSIONER R. A. ROSS: Q--Were they aware of this

inventory that you had made?

A--I don't think they knew anything about it. You know there are so many of these things it is pretty hard to remember them all. I have not looked into this matter since, and I am giving it to you as accurately as I can, and I think I am quite right in my general conclusions. We felt that we could eliminate this large corporation, and we bought out some 70 " odd companies all by friendly negotiations, and it was necessary to get the best we could from this company in the interests of whoever the purchaser was, whether the municipalities that we represent directly under the Act, or this unusual thing of the Province taking it over. The reason for that was that there were so many companies combined in the whole scheme that were really not electrical. There were gas and waterworks, and pulp mills and railways, and the idea was that we should operate them on behalf of the Province until such time -- that was the understanding in acquiring them, and was made public in a statement by the Minister -- as we could put them all on a basis that would be feasible and possible for the municipalities to take them over, that they should be operated for the Province on the same basis as if we were operating them for the Province, making provision for the sinking . . . and renewals funds.

Q--So far as you are aware, they had no knowledge of this inventory which you had made, or were not in possession of the contents of that inventory ? A--I don't know, I am not sure that they were. They simply asked us to look into the matter and see what we could pay. The Minister at Ottawa asked me to see Mr. Holt, which I did, and the amount that he said that they would accept for their rights there, that were valuable, and if not interfered with would be very remunerative to their company, was \$9,000,000, that is all I know and he said we might go and get an inventory, that they would give us all the information, and so on, that we

wanted. That is recollection only of my personal interview with Mr. Holt. It is not in evidence, and nobody knows anything about it.

We then sought the information which Mr. Gaby has explained to you, and we decided the property should be acquired rather than go into competition under the extraordinary conditions that were involved in that district, and that it was a matter of price, what the company was willing to sell for, and we reached that point, a matter of whether this bond was ten years or twenty years if they can secure the money at the expiration of ten years, 4 per cent. Nobody could compel the company to accept a 50-year bond if they did not wish to accept it, and the Government could not take the property under the terms of a friendly agreement or friendly negotiations.

Q--What I am trying to get at is this point: What basis did the Government satisfy itself on that that was a proper figure ?

A--On our recommendation. On my recommendation, I presume.

Q--And you based your recommendation on the inventory?

A--On the whole of the property, with the idea of getting all the property they had, of course, and I told Mr. Ferguson and he conceded it. He told me that it was merely a matter of wording there, "the Trent District". We meant the whole of the holdings, of course, but the company : when they presented this memo to Mr. Ferguson, only had in mind the Trent.

THE CHAIRMAN: Coming back to this matter, Sir Adam, after this Minute was passed when did you see Mr. Ferguson ?

A--I don't know, during the negotiations.

Q--Well, the negotiations were consummated the day afterwards, on the 10th. Did you see him before they had completed the agreement, or was it afterwards?

A--I don't know at all. It would be at the time of the negotiations; I went and saw him personally.

Q--And you told him that you had intended including the Nipissing System? A--I didn't intend at all. I told him that it did include all the holdings of the company, and he recognized it.

Q--Did you take any other steps to make it known to the Government that you did not approve of them taking 10-year bonds instead of 50-year bonds?

A--Well, I may have taken exception, yes, if my recommendation covered the longer term and also the waiving of charging the sinking fund for a reasonable period till we could work out our business. There was only 13,000 or 14,000 h.p. used then, and we wanted to double or treble that consumption, to take care of all our applications and give the people in the district a fair and equitable rate. I may just say this; We found very discriminatory rates in existence; ^{large} parties were getting ^{at} a very low rate, and small consumers were getting power at very high rates, and one of the objects we had in mind was that there would be an equal adjustment of rates in that district as we have in the other zones, on a cost basis, and that we would be able to extend our lines in a way that the company never could into the different communities and serve, in that way, a very much larger portion of the community rather than to take on, as they were anxious to, one big user on the system, as it existed. Those other things we had in mind in serving that district, not a matter of mere dollars and cents but in increasing the area of the users, and having an equitable adjustment of power prices based on cost to all users.

Of course, we had to recognize and carry out the existing contracts. Some of them were made on a very low rate at a

time when operation cost about one-half what it is now and did immediately after we took it over. On account of the war our operation costs went up enormously. Take the Peterboro Railway, we were paying 17½ cents,-

Q--Well, I would just like to finish up this subject.

A--If you will allow me to go on. I have heard a lot of talk about this railway.

Q--Yes, we want you to deal with that, but first of all we are finishing up the negotiations. You have told us the reasons that you take that position, that the bonds are to be 50-year bonds?

A--It is much preferable to have it 50-year 4 per cent than 10 years, but if the company would not take it you could not force it down their throats. They had the selling of the property.

Q--I understood from you -- A--That is what I was told at least.

Q--That you declined to recommend that? A--Yes, I declined to recommend it.

Q--You declined to recommend the change?

A--If I thought they could buy the property for \$5,000,000, I would recommend it, of course.

Q--You declined to recommend the change from 50 years to 10 years? A--Declined to recommend it, I had nothing to recommend.

Q--Yes, you made the recommendation? A--You mean a recommendation to the Government when they are purchasing a property?

Q--You made the recommendation? A--Very well then you can call it a recommendation, but it is only a suggestion.

Q--I am just quoting the words in your letter, "I recommend that the Government make an offer --". A--Yes, that was

the amount and the terms upon which they might buy.

Q--And you did not recommend, I understand from you. I want you to state exactly? A--I will tell you exactly, if they could acquire it on 50-year term bonds, on a 4 per cent basis, it is all right to do so, but the matter of ten years or fifty years would not interfere, in my mind, of course, you are safer in having 50-year 4 per cent bonds. With the shorter term bonds you know, of course, what the interest charges would be, but that would not deter a Government from doing it.

Q--Then you approved of the Government making the change?

A--No, not if they could get 50 years. It wasn't a matter of approval or disapproval. Those people had the selling of the property, they owned the property. They had the right to dictate the terms and the price of that property, and I was told that they dictated the terms at 10-year bonds instead of 50-year bonds, and that the Government was obliged to pay it.

Q--I am just calling attention to the change, and asking you if you recommended that the change be made?

A--No, I did not. I would have recommended that, however, rather than not have the property.

Q--That is what we are trying to get at. Were you aware at the time that the changing of these bonds from fifty years to ten years made a difference to the vendors of about \$900,000? A--Yes, I did. I took it upon myself, a personal matter entirely, and that letter you have got is a personal letter, to my mind.

Q--It is an official letter? A--You are quite welcome to it. You can have all my private correspondence in my house and home, if you wish.

Q--We are just pointing out this letter is written from the Hydro-Electric Power Commission? A--I am not ashamed

of any letter I write.

Q--I do not see why you have reason to be. I am just pointing out that this is an official letter written from the Hydro-Electric Power Commission and signed by you as Chairman of the Commission, and that is your recommendation to the Government. I don't think there is any dispute about that.

A--I considered it a personal letter, and do now, and what I did was this: I happened to have a friend who was a bond broker, and I was curious to know what difference it made to this company other than the speculation that we would have to take our chance of getting 4 per cent money after ten years. It might be lower or it might be higher. I am not a business man, but I asked this friend of mine and he said the difference would probably be a million dollars or something of that kind.

Q--So you knew at the time that that amounted to about a million dollars. A--I didn't know at the time anything more than my personal knowledge, but that had nothing to do with the terms of the bonds, or anything else, merely a matter of curiosity.

Q--I have only got your official letter to the Government, and no one is asking, Sir Adam, for your private correspondence ? A--You know you wouldn't get it, but I would not fear giving it to you.

Q--We are not asking for it at all, and there is no reason to make the suggestion. You have given us this official letter and I am referring to it?

A--I might express my opinion about a few things around here.

Q--You were a member of the Legislature at the time, were you not ? A--Yes.

Q---When the matter came up in the Legislature did you make any statement? A--I don't remember, I probably did.

I usually say what I think. I don't always think right, but I always say what I think.

Q--Did you point out to them what you say you had been informed, that the Government was paying, in effect, a million dollars more than you had recommended them to pay?

A--No, I didn't think they were paying a million dollars more. I might have inferred it was a million dollars from the knowledge I had.

Q--The effect was, I understand then from you, that the company was getting 10-year 4 per cent bonds instead of 50-year 4 per cent bonds. They were getting bonds for which they would receive a million dollars more if they put them on the market at that time? A--You understand perfectly what I meant, no matter what the Press report was. I don't think we have got Hansard here, but probably you have a Press report of what I said.

Q--Oh, no, I haven't a Press report. I don't/^{think} you said anything at all, as a matter of fact?

A--Whatever I had in mind is what I said. I have explained to you as carefully as I can, and as honestly as I can that I only had knowledge from an expert in these matters.

Q--I think it was very proper for you to get a statement from the expert? A--I don't know that it was right, I hope it was.

Q--I think a million dollars, about nine hundred thousand dollars, that is what we were told yesterday.

A--I am glad someone makes some money occasionally. They all say that we skin them.

Q--Sir Adam, now that we have completed this would you like to go on with your statement? A--I have not even read the evidence, but we have heard statements made about it. If anybody is fearful as to what the result of that

purchase is going to be it is because the Peterboro Railway isn't paying. I think it is only fair that the evidence should be brought out.

Q--Would you go on with your negotiations with Mr. Holt, of which you spoke just now ? You were beginning to tell us about Mr. Holt ? A--I knew Holt personally, and was going to Montreal at the time by way of Ottawa, and when in Ottawa, amongst other things, I went to see Mr. Cochrane to see if we could not get power down there to meet the applications from a large number of municipalities for power.

Q--That is, generating power on the Trent ? A--Yes, some of the water powers that had been leased.

Q--And you had to get that from the Dominion Government ?

A--We had to get that from the Dominion Government, and the Minister said he did not think it fair to interfere with the rights of the company by our going into competition with them. I don't know whether those Dams were under the control of the Railway Board or not, but anyway the Minister felt that it was an obligation that had been really given to the company not only morally but by correspondence, and he said "Why don't you see Holt when you are in Montreal and see if you can acquire the property?" I happened to meet him at the Club and I went to his office, and after a conversation he said, You can see the affairs of the company, the company will show you what they have, but we want \$9,000,000 for that property, because we think it is going to be extremely valuable as soon as we get somewhere near the full development that we have on the canal.

Q--This is the first time I have heard Holt's name in connection with it. What connection had he ?

A--I think he was President of the Sun Life. I am not

sure whether he was President of the company.

Q--It would be the Sun Life he represented ?

A--I guess he probably had stock in it, or control of it, I don't know, but at any rate I know that he was interested in that undertaking.

Q--Had the Government ever promised you sites to develop power on the Trent River ? A--Yes, I think they said they would give them, but I imagine, after going into it fully, and the company protesting that they had these letters -- I imagine later, probably at the time that I saw him, that they realized that they were morally obligated, if not by agreement, to let them have them all. I am not an engineer, but Mr. Ross can tell you that the most economical method of handling the waterpowers down there where the water is limited, is to put them all under one organization and one ownership, and we all realized that.

Q--Did anybody representing the Government ever write any letters to the Hydro promising them certain sites?

A--I don't know. However, the idea we had was, as I said, to work out these different properties that we took over, which would take time, and unfortunately we were met with the war conditions that nobody anticipated, of course, at the time, and as to the cost of operation, for example, at that time we paid our motormen and conductors $17\frac{1}{2}$ cents an hour, if I recollect right, when we took over that property, and we increased that to 44 cents or 45 cents. Materials and everything else enormously increased the cost of operating their railway, and you all know that railways now, with increased costs, all due to the war, are impossible of profitable operation in municipalities or communities with less than forty or fifty thousand inhabitants. There is no doubt about that, you cannot do it. The minute you increase the rate to a certain point people walk. If you

lower the rate your revenue is deficient.

We have asked and made formal application in the last two years for additional money to buy one-man cars. We are satisfied it would reduce the cost of operation of that railway by \$10,000 to \$11,000 per annum, and we have not yet been able to secure authority to purchase them, but we hope that eventually, perhaps this year, an appropriation will be made by which we can put on all one-man cars there and, in that way, reduce the losses by \$10,000 or \$11,000, as near as we can get at it. There may be a reduction in cost of operation in the meantime. The others, you know what the cost of coal is for gas, and if the gas works is not in the position to raise its rates it is unable to meet its obligations, the same with waterworks and others, but we have them all on a fairly good paying basis, and I maintain, when we have got a million dollars or more in reserve during that period, with all the difficulties in operating, all due to the war, and putting the System in first class condition with dear money, establishing a sinking fund for the investment, and timber limits, I think we are paying sinking fund on that --

Q--Yes, that is about all, and rural lines, which is very trifling ? A--It is something, isn't it, and we are doing that, we have done that, and I think the coming year we have to reduce rates. We only had to estimate them, we could not tell exactly, and we were very reluctant to raise the rates for power to the local consumers who establish their industries and install their motors for the purpose of using electricity. That is the last thing that we should do, if we can carry it all fairly in the interest of the Province, knowing that as soon as we got the consumption increased to a point where our investment would all be earning money so that we would be able to reduce the rates.

Q--Sir Adam, when did your negotiations for the acquirement

of this plant from the electric company begin ?

A--Oh, I don't remember.

Q--Could you remember how many years before the actual purchase was made? A--No. I think they must have begun about 1910. The Commission applied to the Seymour Company for a block of power. We negotiated the first year for power. We tried to get power for Peterboro direct from the Company, that is what we have always done in every district we have invaded, but they told us, as the companies usually do, that they were sold out and required all they had.

Q--I am speaking of the acquirement of their property?

A--Yes, this is the first negotiations with the company. I don't remember the date when we started negotiations. I will have to look up the dates.

Q--You speak in some place as to having made a fair offer to them. Could you tell us what that offer was ?

A--To whom ?

Q--To the Electric Power Company for its assets ?

A--Oh, I don't remember. I think we might have made some offers or some suggestion to acquire the property on its physical value or depreciated market value, or some other method, I don't remember.

Q--Do you remember what amount you offered them ?

A--No.

Q--Would you have any record, do you think, of the offer that was made at that time? A--I am not sure, unless Mr. Gaby has. I haven't got any.

THE CHAIRMAN: Have you, Mr. Gaby ?

MR. GABY: No, the matter was discussed at various times. It varied all the way, as Sir Adam has stated, from its depreciated value up to approximately in the neighborhood of six and seven million dollars, but the value that was stated at the time the negotiations were on was somewhere in the

neighborhood of \$7,200,000 on a 5 per cent basis, and \$8,300,000 odd on a 4 per cent basis.

COMMISSIONER J. A. ROSS: Q--That was 1915?

MR. GABY: 1916.

THE CHAIRMAN: That was at this meeting on the 4th of March?

MR. GABY: Yes, but previous to that time there were all sorts of figures probably discussed.

Q--Do you recall any of them, Mr. Gaby?

MR. GABY: Any definite figure?

THE CHAIRMAN: Yes.

MR. GABY: No, I didn't have any definite figure ever in writing.

THE CHAIRMAN: I think Sir Adam said he made a fair and generous offer. I am just speaking from memory.

SIR ADAM BECK: Your Commission must remember this, that when the Hydro-Electric Power Commission is authorized to negotiate or acquire a property, and not appropriate it, under the powers that we have of enforced expropriation, that they can merely do as other individuals do, get the best they can. In the case of the Windsor Railway, we bought it from the D.O.R., through the Chambers of Commerce and Councils asking us to negotiate. The only condition was that we should operate the lines, and not let Commissions or Councils have anything to do with it. We opened negotiations, the company was glad to negotiate. It still had some years to run, a franchise part of it in perpetuity, and they asked \$3,000,000 for the property. How about finances? Well, we will take your bonds, or the Provincial bonds at 4½ per cent, \$3,000,000. Well, then, we go back and forward, back and forward, and we show where they are asking too much, and ultimately we get it for \$2,200,000. You take the physical value of that property less depreciation, even at a

time when values were almost at their peak, we could not say within half a million dollars of what they were asking, but we came back and reported to the Commission, we came back and reported to the people that authorized us to do these things, and they said: We have got to get rid of them, we have got to meet the demand, we cannot get extensions, we cannot get the proper service. We have a strike on, and they won't pay the men, they want more fares and the people have refused to give it to them by a vote of 4 to 1. We said we would submit by-laws, which was done, and they carried all along the line and then they authorized us to take it over. It may be an excessive price, but it is the best price that we can get that property for, and they are willing to take it, and have taken it, and we have spent nearly a million dollars in improving it, and we must make it pay in the end to take care of our obligations, and that is the present function we have got to perform, with all those dead railway propositions and badly constructed enterprises that come to us by virtue of a vote of the people, and this happens to be a vote of the Government and we are quite happy doing it, if you will only make life easy for us, Mr. Chairman.

THE CHAIRMAN: That is our object, Sir Adam.

A--You have got a funny way of arriving at your object.

Q--We have been trying to do that? A--We have got 371 municipalities to please, but we will please your Commission in addition to them.

Q--Sir Adam, I notice the valuation prepared or submitted by Mr. Gaby at the time gives the present replacement value of the assets of the Electric Power Company at \$5,598,411, and the total valuation, that would be the above amount, I presume, less depreciation, of \$4,410,466.

MR. GABY: That was 1913.

THE CHAIRMAN: Q--Did you know of this at the time,

Sir Adam ?

A--I suppose I did, I don't recollect. I don't suppose I would expect him to put a very high value on it when he was doing it either.

Q--I think he told us he thought that was a fair valuation?

A--Yes, I think it was with depreciation at that time before the war when values were about as low as we have known them in the history of the country.

Q--I notice that that was because you were valuing them on this basis plus some intangibles added ? A--Suppose you made it six million, or twelve million or any other figure, as an estimate of what was thought, in a general way at that time, under the conditions that existed; supposing Mr. Gaby thought the plant was worth six million or five million, if the company say we want nine millions how are you going to get it for four millions, or five millions, or six millions, no matter what he estimates ? You might expropriate, of course, and have the arbitrators fix the price.

Q--Mr. Strachan Johnston told us the other day that you and he agreed that it should be submitted to arbitration under Sir Henry Drayton and that you would pay the price which Sir Henry Drayton fixed?

A--Why didn't he do it if he said so ?

Q--He said he did, and then you declined to go on with the arbitration. Under those conditions Sir Henry came up to Toronto ?

A--We had no authority to do that, they would not make his judgment final.

Q--He told us -- I am just repeating that -- that you agreed that it should be final and he agreed that it should be final, but that afterwards you said it was just to get some basis of negotiation after, that the award would not be accepted.

A--Well, now, different people have different conceptions of

conversations, what you mean, and although you didn't say that of course you mean something else. I don't know what we said or what we did, but apparently we did come to a satisfactory arrangement to arbitrate, and Mr. Pope's memory is always pretty good, and his explanation is pretty correct -- and I think I will accept it -- that they would not take the arbitrator's price as final. At any rate, it was the Government who would have to decide.

Q--The report of the proceedings before Sir Henry Drayton rather point the other direction, that you said you would not accept it as final? A--Well, probably I did. I do not see how we could do any of these things when the Government was buying it. It was all a matter for the Government, we could never suggest those things.

Q--The Government was represented at the arbitration by Mr. Ferguson? A--Yes.

Q--What had the Sun Life to do with this?

A--I don't know at all.

Q--You saw them, you said? A--No, I didn't see the Sun Life, I saw Mr. Holt.

Q--You saw the President of the Sun Life?

A--I presumed that he had a good deal to say about whether it should be sold or not, or the price it should be sold at, I don't know, but I saw him as being the party that would be able to finally say whether the property would be sold and at what price.

Q--Did you know what they had paid for the bonds which they held? A--No, I didn't know what the outstanding bonds were or what they paid for them. I heard rumours about it, eight or nine millions, that is all I know about the outstanding bonds. I don't know what interest they bore and I don't know how they sold them, and who bought them. I understood the Sun Life held a lot of bonds, and I believe stock, but I am not

sure.

Q--They were the virtual owners? A--I don't know whether they were or not. I understood Mr. Holt had authority to speak for the interests that did control it. I was told that by the Minister when I went to see him about it.

Q--Did you submit any definite offer to him?

A--No. He merely said we could have sufficient knowledge of their affairs to convince us whether or not the statements he made were correct, and that he wanted nine million dollars. He did not say for the property. He said that is what their rights and property ^{were} worth to them if they were not interfered with in that district. He thought they had a good investment.

Q--Were you aware that the property was being operated at a loss? A--I heard rumours to that effect; I don't know.

Q--Did you also hear rumours to the effect that bonds were in default? A--No, I did not. I understood they had not earned the interest on the bonds, but I don't know whether they defaulted or not. I don't see how they could. They only had a very small development, 13,000 or 14,000 h.p. We have got it up to 30,000 odd now, and I don't suppose they expected any better than to carry. There is no doubt about it our entering the field did make their being able to get the returns difficult, much more so than it would have been otherwise. They were trying to demonstrate that they could sell power as cheap as we could.

Q--Was the understanding, Sir Adam, between yourself and the Government from the first that the plant, if the Government acquired it, should be operated by the Hydro-Electric Power Commission? A--Well, I would naturally assume that, I suppose. We had that authority. It is set out in the Hydro Act in operating on behalf of the municipalities. I know it required special legislation,

because it was a special case.

Q--Was anything said between you and the Government as to whether the plant should ultimately be turned over to the municipalities to be operated as a part of the Hydro-Electric System ? A--Yes. I always understood that the only reason the Government would go into the business, as it were, that was involved in all those various companies, was because they were buying it in order to have the different utilities put on a proper basis of value that might be fixed and placed on them when disposing of them to the municipalities, not all may-be, but those who wished to enter into co-partnership in acquiring this property on the same identical lines and principle that was involved at Niagara and the other districts we were serving, and I understood, in fact I read it in the Press, that the Minister took it on himself to make a public statement, subsequent, I think, or perhaps at the time of the negotiations, that that was the policy of the Government, and the municipalities have repeatedly come to us, individually and collectively, urging us and pressing the Government on the necessity of treating them in the same way as other districts, and I told them they were not suffering because we were bringing the various properties to a point where they would take care of the investment placed to their account, and on which they had to earn the money. That is being gradually carried on, as you will probably see, and it just happens that we have come to the point now where those properties are all self-supporting except may be this railway and one or two properties, but on the whole they are, and when the Government decides there will be no difficulty, I think, now, in disposing of the local systems to the municipalities, the municipalities either giving in turn their own bonds as security to the Government, the Government having, in the meantime, under the Act, a lien

upon the property. Many of those municipalities have come and asked us to continue to operate the local systems, thus maintaining it more economically and more independently of local influence, and they have expressed themselves at those gatherings that we have had, or deputations, that they want to come under our operation which we, of course, have power to do, operate them for them the same as we do the railway lines up in Windsor district, that is, we operate for three or four municipalities, the rural municipalities, instead of them having a Manager -- they cannot afford to pay a real capable man -- we have one man over the whole thing and he has his local superintendent who might be a working superintendent, in a very small community carrying out our effort to run it economically.

A--Do you expect, Sir Adam, ultimately to be able to make over these different properties under the system so that the Government will suffer no loss ?

A--I think we are doing it now. I think a million dollars in reserve is a very handsome amount of money, considering the existing conditions. Mr. Chairman, you must realize that we were placed under quite a handicap there from almost the inception of that undertaking because of the war. No one can realize, except men who have had to do with undertakings of this kind, all based on pre-war operating cost and money, what it meant to be launched into an undertaking to meet a great demand, on account of the demand for electricity during the war, dear money, costly expenditure, costly extensions, and costly operation. I think we have done remarkably well, and I don't think the Government will feel that they are not amply protected in that district in their investment.

A--Of course, you will realize the war began in 1914 and you took this over in 1916 ? A--Yes, and I realize that

we are still suffering from it today because of operating these utilities.

Q--And from some of your works you received special profits because of wartime conditions. The pulp mill one year made \$200,000? A--Yes, and if you sum it all up what did ~~xmxx~~ we make out of the pulp mill? What happened to all the other pulp mills, what happened to ^{Riordan's} who were making millions?

Q--You have made a net profit? A--About \$70,000.

Q--Rather less than that? A--We have got over a million in reserve, so it is all right. I think it is a handsome sum of money to have in reserve on that system under the conditions. We were obliged to raise our rates. I don't mean to say raise the rates on the whole system, but in the case of waterworks, in the case of this railway there is a limit, and those rates we had to adjust. In the case of the gas works the rates had to be adjusted or else they would go to the wall, not because of the fact that we take too much, but because of the fact that the operation, the cost of coal and everything else was double in price.

Q--I have heard no criticism from anybody on that. Perhaps the people who have to pay double the price for gas don't like it? A--They don't like it. We have told them to take the plant and operate it themselves, and I think they will eventually as soon as the policy of the Government is made clear in the matter.

I may say that we tried to carry on that business in the same way as a corporation would, safeguarding the investment for the Province and doing justice to the municipalities and the customers in that district by giving them an equitable rate.

The difficulty is that all those companies have charged

the small user a fabulous price and have a fabulous profit, while to get a return for their investment they will sell a big block on a reasonable profit, and we have adjusted all those rates, so on the whole we have increased the price of power to those who were getting it at an unfairly low price, and we have reduced it enormously to the masses or the people that were small users.

Q--You said just now, Sir Adam, that you hoped or expected eventually to make those over to the municipalities, so that the Government would not lose anything ?

A--They have not lost anything yet. I say the Government is financially safe in that investment. That is my judgment as Chairman of the Commission.

Q--Have you considered how you will do say in the case of those municipalities which, under the terms of their franchises, have only got to pay for the actual physical value?

A--Do just what we do and would have done with the city of Hamilton if it had remained a customer instead of becoming a co-partner, carry out our contract.

Q--In that case you will suffer a considerable loss, because you paid not only the physical valuation but you paid much more in addition ?

A--Those prices were based on conditions that prevailed --

Q--I am only asking you what you propose doing to prevent any loss ? A--There would be no loss.

Q--A number of municipalities have the right to buy them at their physical valuation. They have got the right to fix their contracts? A--If they can acquire any agreement, contract or rights that anyone has, any company or municipal corporation, they will be sacredly dealt with and respected by us, as we have always done.

Q--Certainly, but I am just asking how you will manage to do that so that the Government will not suffer loss in this

case? A--There is no loss.

Q--Oh, yes, there will be a loss on the face of it?

A--I am in business and I made a contract at a time when prices are up and they come down, and I still get the high price. We have had very large profits on some of the contracts we made at Niagara Falls, and we have had some that we lost money on, and the total revenue from the losing customer and the profitable customer is put into one pot, and the municipalities that own that system must abide by the agreements that were made, whether they are profitable or unprofitable, and they must pay the price of power, on the basis of a certain amount that will take care of the contracts and the moneys invested in that plant.

Q--There is no question as to the right of the municipalities to take it over? A--"Losses" looks very bad, doesn't it? We are losing money, that is a great thing. Because you have got a monopoly you cannot break an agreement.

A--I have not heard anyone suggest about breaking agreements. Many of those were contracts made before you took the property over, and those contracts or agreements provide that they may take the property over on a certain basis, a different basis to which you purchased?

A--We cannot make any contract that does not give a certain revenue to take care of all our obligations. We may have made mistakes, we may have committed errors, like all business men do, but to the best of our belief and judgment when we make a contract we include every contingency that might arise in the carrying out of that contract believing that we have sufficient revenue to take care of our obligations, and we have no authority to sell power at a price below cost which creates a bonus, which is, in effect, a bonus to any company or municipality. We fought that, and we are fighting it at Nipigon now, that we cannot sell power under

our authority at less than cost, because it would be constituting a bonus, and we have always tried to be as careful of our estimates as we possibly could, because we knew we had no profit in the end, and we must not have any loss.

Q--What procedure have you followed with regard to those different utilities in the different municipalities?

A--We have merely divided the operating cost as if they were co-partners. We have, in a way, carried out, as far as we could at least, an accounting of that System on the basis of having each undertaking pay, that is, if the municipality wanted to take it over we would have it, in effect, in operation before they took it over on that basis.

Q--The representative of Price Waterhouse told us yesterday that in a number of instances you are making a considerable profit, and in other instances you are making a considerable loss ? A--You know, Mr. Chairman, that we fix our prices at the beginning of the year, or beginning of a period, and then we gradually lower or raise and get it down to a basis where when we get to a time where conditions are normal,- our trouble is with abnormal conditions that have prevailed from time to time. We find ourselves, in certain cases, having far too much money. Take the Windsor case. Last year we were obliged to reduce the prices there to the municipalities, and the customers received a reduction of 25 per cent, because they were abnormally high. Our prices happened to be at the end of the year. This year instead of \$80,000 surplus they have only got \$60,000, but we thought it would be better to continue with that. It was better on their part, and they can use the money. Everybody is satisfied, and we carry on again, in case there is another jolt of some kind where we would have to make a big investment.

It is all based more or less on estimate and judgment by the experience we have had in the operation of the system, as to what the price shall be for the coming year, but we have always kept this in mind, that we will not increase the price to users, especially the large users that it means something to in locating their business in that territory, in installing his equipment, believing that he will be getting power at a certain price for a certain number of years. That is the last thing we want to do, and where it is carrying a municipality on that account, because we sometimes do that, although we have not got quite the revenue that we have power to collect, and at the end of the year they have to face our bill to compensate us for any loss through inadequate revenue that they have given us to meet the cost of operating and maintaining a plant, or in the case when we charge more we are obliged to remit the money, as you know.

Q--What prospect is there of making over those different plants to the municipalities and having them run under the Hydro system?

A--Well, we have had deputations come to us most anxious to take them over, and we have given them a fairly accurate idea. It has only been an estimate, of course, because we do not know how the demand is going to increase, and what the cost of this additional is going to be, The Dominion Department of Railways and Canals have been charging us a rental of \$4 for that power. I thought they would give it to us at \$2, so you see we are faced with a cost of \$4. We have never had anything else in mind, you buy it or leave it. We know that the demand is there,

Q--Are any negotiations going on with the municipalities for them to take over those plants? A--Nothing more, Mr.

Chairman, than that they have, intermittently ever since we took it over, sometimes in groups of three and four, and sometimes individually. In this case, the Government merely stepped in and purchased the plant, not with the idea of establishing a Provincial Hydro Electric enterprise. Some of them, as you know, own their local systems now.

Q--It is nearly seven years since the Government took the property over.

A--It is the abnormal conditions due to the war. We want to get down somewhere, where we could safely say to the municipalities that they take it over and operate it themselves, but let us carry it as long as the Government is fully protected in this investment, and then when we get to Mother earth again in a year or so, so that by that time, if they want it, we will dispose of the property to them. If they take ownership they have got to assume those contracts we have now.

Q--Have any definite offers been made by any of them?

A--Nothing more than they are expressing their desire to take them over.

Q--You did sell one gas plant, I understand?

COMMISSIONER R. A. ROSS : Water works.

THE CHAIRMAN : A water works plant to Trenton.

A--Yes.

Q--At a slight loss? A--I don't know. You see, this whole system is now operated as one system, and it all goes into the pot. They would have found when the war came on, with the contracts they had, that it was very difficult to operate and hold their own. That business is susceptible to it. I think that was demonstrated in the Ontario Power Company, when we gave that contract on \$9. That was an unusually favourable contract, make at an unusually favourable time as to money conditions

and operating conditions. It is not often a fellow can steal from those large American companies. I suppose you will give us credit for that in your report.

THE CHAIRMAN : Q--How did you get along with the Dominion Government when you were negotiating for the water powers? What are you paying for the water powers on the Trent?

A--Anything the traffic will bear.

Q--Have you reached some sort of an agreement, or a definite agreement, with the Dominion Government?

A--They are considering giving us the leases for dams 8 and 9, and they say that the rental for these will be \$2.

Q--Have you come to a definite settlement with them about the price for power, on all their dams there, or is it still an arbitrary price?

A--Yes, \$2 is what they said these others would cost us.

MR. GABY : They are all definite now.

THE CHAIRMAN : And do they vary on the different dams?

A--They vary from \$1 a year up to \$4 a horse power.

SIR ADAM BECK : That is the rates they have given the companies in the past. The price we have got in the future is, they fix a price at Ranney's Falls of \$4, which we objected to about as strenuously as we did anything. We tried all the influence we could bring to bear from friends and otherwise, but it did not go, so we pay the \$4. Now they say, for the other two, the price will be \$2.

THE CHAIRMAN : Are these leases granted for a specific number of years?

MR. GABY : A specific term of years, they vary.

THE CHAIRMAN : Have we got particulars of those, Mr. Gaby, do you know?

MR. GABY : I really don't know whether you have or not.

COMMISSIONER R.A.ROSS : I had a copy, Mr. Gaby, that you had checked.

MR. GABY : It is all based on the various leases.

SIR ADAM BECK : Mr. Ross, we have tried, although this power plant would be adjacent to a municipality closely adjacent to it, we tried to get a price from all generating plants, one price, and then it is a matter of distance. We have to take it as to what it will cost at the municipality.

THE CHAIRMAN : Q--There was some complaint last summer from some of the parties down there as to shortage of power?

A--Well, we had some kick coming ourselves.

Q--Against whom? A--Against the ways and means that were adopted in regulating and controlling the flow of water.

Q--That is by whom? A--By the Government authorities.

Q--The Dominion Government? A--Yes. We did not think that they were using foresight enough, and had no knowledge of what required to be done. They had too much thought of navigation. They wanted to take care of pleasure yachts down there rather than the industries, and we complained.

Q--You think they might reasonably have given you more water at that time? A--Well, they did give us more, without any rainfall. I think they had more than they could hold, and had to let it down. That was my impression of the thing, because we had lots of water afterwards, although we hadn't any rain.

Q--Who is entitled to the credit of producing the water

without rain? A--I don't know. I guess they struck some springs and opened them up. However, we are not criticizing, we know they can control it and there you are. We do the best we can under the circumstances. We aren't in the political game.

Q--Have matters been so arranged now between the Hydro Electric Power Commission and the Dominion Government so that a shortage under the conditions which existed last summer is not likely to occur again?

A--We had a conference down there, Mr. Gregory, between the Department and our officials. We got together, solicitors representing everybody, with a view of getting at the best ways and means of handling the water so as to take care of navigation, which is paramount, and the water required for power development, and we mutually agreed upon an engineer to make a report on the thing. We were not quite satisfied with the instructions he got, but at any rate he went there, and I think there is a better understanding now between ourselves and the Department, in regard to the regulation and control of the flow of water, and the more we can improve that the better it will be for all concerned. We have no contentious feeling, or anything, with anyone. We all must try to work it out in the best interests of all concerned, and I think it will probably work out to better and greater advantage.

Q--Have we operated Ranney's to any extent lately?

MR. GABY : Yes.

THE CHAIRMAN : Q--Do you think, Sir Adam, that if the regulations, or if there are proper regulations that the supply of water is sufficient for you, so that there will not be another shortage?

A--I won't say that the supply of water will ever be

sufficient anywhere ultimately. I have given all that up long ago. We just seem to be a little behind all the time, except poor little Nipigon, and I think we will be hustling in there to get more power very soon, in your lifetime anyway, and I hope in mine. But that is not the question, Mr. Chairman. You realize as soon as you are connected with it, that owing to the increased cost of methods of creating heat and electricity by other than hydraulic power, that the difference between the cost of the two is so enormous, the hydraulic being so much cheaper, that a man is increasing enormously beyond anyone's conception, and the coal process being so very much higher, and the cost of operating steam plant so much higher, and money and everything, there is no limit to the demand, I mean reasonably, and there is no doubt that the water will eventually all be used. It is only a matter of quantity. Whether it will all be used in five years or six years or eight years, that is a matter of supply and demand, but, as I say, ultimately all the water will be used and we will have to go to the St. Lawrence or the Ottawa, or something bigger.

Q--You do not expect then to be able to reach the point in the Trent district where the supply will be able to keep up with the demand?

A--Nor any other district in the Province of Ontario. I will go that far.

Q--I am now speaking of these acute conditions which prevailed last summer. Is there a possibility of having a sufficient supply next summer, so that it will not be likely that that situation will arise again?

A--Yes, I will, I will expect, unless some big customer comes along and wants five or ten thousand horse power.

Q--Ranney's Falls gives you about 8000?

A---Supposing some business comes there and wants a block of power of five or ten thousand, in a district of that kind when you are keeping up pretty close to the capacity of your plants, why, you cannot supply it.

Q--Well, have you planned any further development on the Trent?

A--Yes, we have made application for dams 8 and 9.

Q--Those are the only two that you have in view just now? A--Yes. We thought they would carry us along for another year or two, or three.

Q--Have you actually had an appropriation for that development? A--I don't know. The assurance we had at the time was that we could have those leases at \$2 a horse power rental.

Q--Yes? A--And we purpose asking for an appropriation to develop that No. 8?

MR. GABY : Yes.

THE CHAIRMAN : Mr. Gaby, have you got them out yet?

MR. GABY : No, not yet, Mr. Chairman.

THE CHAIRMAN : It was not included in this year's estimates? A--No.

THE CHAIRMAN : Q--Have you planned any storage dams?

SIR ADAM BECK : We have nothing to do with that. That is the Dominion Government.

Q--Someone told us that you had in view one on the Crow River. A--We might have some provincially.

MR. GABY : The Government have no control over that. We have been investigating for some time.

THE CHAIRMAN : Have you come to the conclusion as to whether it would be wise to put a dam there?

MR. GABY : It is more expensive than just a dam. It means the construction of probably one or two dams, and expensive things of that kind. It is quite an expensive work, and the men are not quite through with their

investigations sufficient to make recommendation to the Commission.

SIR ADAM BECK : I have a luncheon at one o'clock Mr. Chairman. It is now 20 minutes to one.

THE CHAIRMAN : What time would you like to come back again?

SIR ADAM BECK : I can go on now for another 20 minutes.

THE CHAIRMAN : Very well.

Q--Sir Adam, I just want to go back a little way again. You spoke of the negotiations carried on with the municipalities in this district for bringing in the Hydro power there. When did you give up the idea of developing that as a Hydro enterprise and decide that it had better be taken over by the Government?

A--I never did, I never had such an idea as that. When we bought it, the idea was that it should be municipal, ultimately, and with the same methods of control there as in every other district in the Province.

Q--Perhaps I have not made myself clear. When you first entered that district, some years before the purchase was made, I understood your object was to develop that as part of the Hydro enterprise? A--Develop where?

Q--Central Ontario. A--We had no water powers to develop.

Q--No, but you applied, you said, for water powers to the Dominion Government and they objected to giving them to you.

A--We had applications, and have them still, I suppose, from all these municipalities. From 1906 until 1911, these applications came in, and they still come in, and when an application of this kind comes in, we have to assume that the responsibility of getting the power on this basis is ours. With that view, we went in there to secure

those rights from Ottawa which resulted in our buying out this company, and always having in mind that the municipalities would eventually take the property over. We told them when they came to see us that that was the intention, and we hope to realize it as soon as conditions become normal.

Q--But originally when you went in there you applied for power sites on the Canal, and you proposed to develop them as a Hydro enterprise? A--Yes.

Q--When did you come to the conclusion that it would be inadvisable to do that, and that it would be more advisable for the Government to make the purchase instead of the Hydro for the municipalities?

A--I thought I made that clear, that Ottawa was obligated to the company to give them the rights, and that it was economically the proper thing to do, and negotiations were suggested and we carried them on. There were a number of companies involved, and holdings involved other than the supply of electricity, and it was thought better that the Government should finance it, and that it should be operated by the Commission, but that ultimately it should be made available to the municipalities, if they desired to take it.

Q--At what time did you arrive at that conclusion?

A--Always since its inception.

Q--Had you always thought that the Government would buy it from the municipalities? A--No, I never thought they would retain it.

Q--No, but make the purchase and finance it, and the company take it over as a Hydro enterprise?

A--It is operated in identically the same manner as other properties are being operated for the municipalities, but it required special legislation.

Q--The title in the other cases is vested in the Commission; the title in the Central Ontario is vested in the Province? A -There is no other way to do it, we have no money to invest.

Q--What I am trying to find out is when it was concluded that it would be undesirable to take it over as a Hydro enterprise. It was taken over by the Province, who made the purchase in 1916. When did you come to that conclusion?

A--When we knew the complex character of the whole scheme, involving as it does other undertakings than electrical undertakings, pulp and paper mills, flour mills, gas works, water works and railways, and that the only way to deal with it was to buy it outright and then subdivide it amongst the municipalities when conditions warranted.

Q--When was that conclusion reached? A--At the time of the purchase.

Q--But not before that?

A--Well, we had nothing to deal with.

Q--You had been down applying for leases in that district years before that? A--That was simply an answer to the applications of municipalities that were not being supplied, and they wanted a supply at cost through this Commission identical with the undertakings in other municipalities.

Q--But when did the Government decide that it would be advisable for it to make the purchase?

A--I suppose when we recommended it in that way.

Q--Not before that? A--Not that I know of. You must remember that Col. McNaught and Col. Hendrie and I were members of the House, and two of us were members of the Government.

Q--Not then? A--Well, perhaps not.

Q--December, 1914, Sir William Hearst became Premier?

A--1912 --13, that is the time we were considering it, the supply of power down there.

Q--Yes, but not the Government purchase of this.

A--At any rate: that is the only impression we ever gave the Government and municipalities, and everyone concerned

Q--Why did you buy up these other undertakings, such as the pulp mill and the flour mill, and the gas works, and the water works?

MR. GABY : There was a mill there that was never operated. It had some old machinery in it.

SIR ADAM BECK : I suppose we bought the assets of the company.

THE CHAIRMAN : Q--That would be just because they were part of the assets, and you had to take them all or none? A--I suppose so. I think we bought some fruit farms, didn't we, with the Ontario Power Company?

MR. GABY : Yes, and farms.

THE CHAIRMAN : Q--And you did some farming too?

SIR ADAM BECK : We did some fine farming. If we had gone into the wine business instead of trying to grow pumpkins and pigs we would have been all right.

Q--I am surprised that you lost that opportunity.

A--However, we had to keep up the appearance of the farms with a view to selling them.

Q--In your books, in all those properties, there is an item of intangibles. How is that made up?

A--In what?

Q--In your books showing the properties there is an item of intangibles?

A--Down in the Eastern district?

Q--Yes, down in Central Ontario. A--I suppose you know all about that.

Q--I am not trying to express my views but just to get your own. We have got intangibles, and I am not so sure how they are made up ? A--Our accountants can tell you that.

Q--You cannot explain those intangibles ?

A--Not any more than they are intangibles we got with the Toronto Power Company, the fact that they had the rights to use the streets and poles, the people were paying something for them to get rid of them. I suppose that would be the intangibles.

Q--There wasn't anything of that kind in the pulp mill, for instance ? A--Rights that they had, I suppose. I suppose there were franchise rights, and riparian rights.

Q--You think that is how they were made up ?

A--I suppose so, I didn't see their books.

Q--Have you an inventory showing how much value was placed on each ? A--I don't suppose so, I suppose the company has that.

Q--They are distributed over all the different systems?

MR. GABY:
A--Any information we got was obtained from the books of the company, with the knowledge of the men that we took over, as to what was paid for those franchise rights and riparian rights, and other things. They were taken into account as physical value, or value of the property.

SIR ADAM BECK: Why, Mr. Chairman, the amount that we had to pay for this property was not based on ^{what} franchise values or anything would be worth to them. We paid the price that we were compelled to pay to get the property, that they estimated and fixed in the sale of the property. I may sell a horse that is worth a great deal of money to Mr. Ross, because he is going to have a valuable member of his family risk his or her neck on that horse, but the physical value of the horse is the value that any other plow horse has.

COMMISSIONER J. A. ROSS: That is a horse, but not a gas plant.

SIR ADAM BECK: He fixes his price, and the price he will sell that horse for is the value of it.

THE CHAIRMAN: Q--And that is how those intangibles were made up?

A--And the intangibles were there, that was the price we had to pay. You had to pay what they were willing to sell at. We have had a great many business transactions, a great many under varied conditions, and that is what we have had to do when it was a matter of friendly negotiations, to come together on some basis always depending upon what the seller demands and fixes as the price. We cannot change that.

Q--Intangibles are made up --

A--I don't know anything about intangibles.

Q--With the extra amount --

A--I never knew the price they demanded for the property, and we took it over on behalf of the Government.

Q--The intangibles are made up of the extra amount you put up to get the property ? A--I don't know a thing about it, whether it included profits that would accrue to them in the future that they had a perfect right to consider when they were selling it privately. They sold it for what they thought it was worth to them ultimately. Whether the Province would pay the price or not was their affair. They agreed to pay the price and they agreed to accept it, and we got the property for them. The intangible assets are what they fix. I don't know, they might have had some wonderful prospects of controlling some property that would use a large block of power, an interwoven company. I don't know what they had in mind in fixing the value of the property, that is their affair.

Q--From your books, Sir Adam, or according to your books, Sir Adam, there were appropriations made by the Ontario

Legislature for the Central Ontario System, and they appear to have been diverted from that System to the Systems of the Hydro elsewhere? A--Yes, I think that was done at various times. I think where we had moneys available, and so on, during the war, methods of financing were used that were not altogether in accordance with the strict letter of the law, but which ^{were} thought to be proper as a matter of business, and these matters were adjusted from time to time to comply with the law and the Act. I suppose ultimately the auditors look after all those things for us. We have always been able to comply with their suggestions, because we are all desirous of carrying it on in accordance with the law, and in accordance with the agreements that we have to carry out with the various interested parties. I don't think anybody stole it or misappropriated it.

Q--I haven't heard of any such charge, in fact, it seems it is all paid back? A--I do not mind being blamed for it if we do it.

Q--But you did it? A--I don't think so. I am on a note now down at the Bank of Montreal, a demand note, guaranteeing one of those municipal enterprises for over \$100,000. I went on it a few weeks ago. I don't know whether I have got the assets to cover it or not if it is called, but they have got my name for it.

Q--Personally or as Chairman? A--Adam Beck. I don't know how they look at it. Of course, it is my house and lot that is mortgaged for it.

Q--Was any authority given by the Legislature?

A--Now, I am doing that. I did that because the Bank was not quite sure that they were properly covered, or something. The thing is ludicrous, but they said, well, now, you had better put your name on this note, and I said "Certainly, I will be glad to put what little I have in on it."

I felt so delighted to think that I had the credit with the Bank that I have been talking about it ever since.

COMMISSIONER J. A. ROSS: Q--You seem to pass the burden for all you do on to the auditors ?

A--Oh, no, we don't.

Q--The auditors do not get at your accounts until after you have committed the deed, or taken any action ?

A--We expect them to look after those things.

Q--To point out where you were wrong ? A--Oh, quite, take a short hold of us. I know we were wrong on a number of them. We may have been doing a lot of things that were not strictly in accordance with the letter of the law.

Q--My auditors do not see it until after I have done it ?

A--No. I am not making them responsible for what we do.

Q--I understood you to say that you were guided by what the auditors told you to do? A--Their duty is to regulate it. They are continuously auditing and pre-auditing our books.

Q--Month by month ? A--Month by month, day by day and hour by hour, and they see all those transactions coming through, I hope.

Q--The point I want to make is they see these transactions after they have been consummated and not before?

A--And when they make a report they do not hesitate to call the attention of the Government and the Public to it, they never have yet, and we do not object to it at all.

THE CHAIRMAN: Q--You do not suggest that the auditors assume any responsibility at all, for the transfer of those moneys ? A--Oh, no, not for the terrible things we have done.

Q--Oh, no, we won't deal with all the terrible things ?

A--The terrible things I have done I take personal responsibility.

Q--And those transfers, as I understand from what you say,

and if I am not right tell me, were made without the approval of the Government or the Legislature ? A--I don't know. I only know what the auditors concluded and reported, and I know that those things were only a matter of delay on the part probably of the Government, I don't know, in giving us the proper financial help, or whatever it may be, at the time. But I do know this that all those matters have been adjusted, the amounts are placed where they belong, the interest is paid during the period of use, and ultimately they are adjusted with compound interest added in all cases. Why you know, Mr. Chairman, you may know this, and it may be able to help you to show how extraordinarily wrong I was in doing what we did, when we were before the Private Bills Committee, as a member of the House I was there, and the suggestion was made that we had misappropriated funds, so declared by the Treasurer of the Province. You know all about that, I was a criminal there for a little while till we straightened it all away, but it was all right apparently.

Q--I know it was paid back? A--I think that is how it was done. I don't know that it was wise or really necessary, but that is the way it was done. It was only a matter of charging one account and crediting the other and adding the interest charges.

Q--The Legislature made an express appropriation for a particular work and it was used for some other purpose ?

A--Oh, yes, they did.

Q--I think the auditor called attention to it?

A--And a member of the Legislature and the Government is on the Commission all the time safeguarding the Province of Ontario.

Q--Are these things always brought before the Commission?

A--He has every opportunity that anybody else has, that

we all have , there is nothing secret there.

Q--Did the Commission authorize those transfers from the Central Ontario plant to the other ?

A--I don't know. There is nothing done there that is at all secretive. It is all open there. It is inferred occasionally that I am dogmatic in regard to a few matters down there.

Q--I think, Sir Adam, from the records this letter which you wrote approving of the purchase was written before the matter was dealt with by the Commission itself?

A--I don't know.

Q--Perhaps you will correct me as to that. Do you wish, Sir Adam, to say anything to us about the statements made by Mr. Bonthron yesterday in regard to the different plants, on the financial aspect of them ?

A--I don't know anything about the statements he made.

Q--Your representatives were here at the time ?

A--I haven't readany of the evidence that has been given here at all.

Q--Mr. Pierdon was here. Do you wish to say anything about any of those statements.

MR. PIERDON: No, I have nothing special to say. If we could receive a copy of Mr. ^{Bonthron's} evidence we might be able to analyze that.

Q--You have a standing order in, I think, for a copy of all the evidence ? A--We haven't had time to analyze it or study it. I wasn't here all the time that Mr. ^{Bonthron} was on the stand, and I would like to have an opportunity of seeing that evidence.

SIR ADAM BECK: It is a question of time, and we would have to see the evidence.

THE CHAIRMAN: If he desires to say anything about it I think that he should have a full opportunity to do so. If

the evidence is ready the first of the week and Mr. Pierdon wishes to make any comment on it we will be glad to hear him.

SIR ADAM BECK: Does not all this evidence as it is prepared by the people in charge automatically come to us?

THE CHAIRMAN: Yes, you have a standing order for it.

SIR ADAM BECK: How about those reports that are being made? Have we a copy of the report on the Nipigon?

THE CHAIRMAN: So I understand. We sent ours in to the Government.

SIR ADAM BECK: Oh, yes, I got that. Price, Waterhouse & Company made a report, I understand a week or two ago, and I think we should have a copy of that.

THE CHAIRMAN: We are continually hearing --

SIR ADAM BECK: That is a specific report that they made on our accounting, as they found it, and I think we ought to have all these reports.

THE CHAIRMAN: I don't recall that, but anything that they deal with will be brought out here in evidence when they come before us.

SIR ADAM BECK: This isn't in evidence before you. This is a report that they submitted on the finances of certain districts or systems as they go along.

THE CHAIRMAN: Oh, well, that would be something which they would just leave with us.

SIR ADAM BECK: Well, but cannot we get that?

THE CHAIRMAN: Anything that we shall deal with will be brought out in evidence.

SIR ADAM BECK: I am asking, can we have a copy of that report from Price, Waterhouse & Company, or are we not to have any report such as they have made to you?

THE CHAIRMAN: Any report in which we will deal --

SIR ADAM BECK: I am asking for this specific report

that Price Waterhouse & Company made, so that Mr. Pierdon shall have an opportunity of answering the evidence that Price Waterhouse & Company's representative gave here. We will want an opportunity of going over it now, and we would ask for a copy of the official report that they made to you on our accounting, and as they found our affairs.

THE CHAIRMAN: Any report which they made to us --

SIR ADAM BECK: You refuse to grant it?

THE CHAIRMAN: No, I am not refusing anything. I have no knowledge of the report of which you speak.

SIR ADAM BECK: You know the one I mean.

THE CHAIRMAN: We are receiving memos. from time to time. Mr. Pierdon evidently knows more about it than I do. Any report that they bring to us they will testify on before us here.

SIR ADAM BECK: That is not what I want. I think we are entitled to the opinion, the conclusion they have come to regarding the various systems on which they are reporting. They have reported on the Central Ontario System, and so on, and I think we are entitled, in all fairness, to a copy of those reports and I would like them.

THE CHAIRMAN: Their whole report on Central Ontario was gone through here yesterday by them. If there is any other report that will be taken up at the proper time and gone through here and you will have the fullest opportunity of going into it, and of making any statement about it.

COMMISSIONER R. A. ROSS: With regard to the Engineering Reports, you received those?

SIR ADAM BECK: Yes.

COMMISSIONER R. A. ROSS: It is a question, evidently, with regard to financial reports.

THE CHAIRMAN: Well, any report which we have or take any action on will be brought out here at our public

hearings. There may be other reports that we would not think worth while going into at all.

SIR ADAM BECK: I think we are entitled to copies of these financial reports when they are handed in to you.

THE CHAIRMAN: Sir Adam, every opportunity will be given and everything that Price Waterhouse bring out that is relevant to our inquiry will be brought out at public hearings and, as I say, every opportunity will be given you to reply.

SIR ADAM BECK: That is not what I want, Mr. Chairman. I mean a similar report to the reports your engineers are filing with you, or submitting to you from time to time. We get copies of that simultaneously, and I think my request is reasonable, in order to enable our accounting department to explain if there is any explanation possible or necessary.

THE CHAIRMAN: I am not familiar with such a report of which you speak, I have never seen it.

SIR ADAM BECK: If it does exist can we have a copy ?

THE CHAIRMAN: No, I shall not say anything about that till I see it, but I would say this, that if there is anything in the report which is relevant to our inquiry it will be brought out at the public hearings, and every opportunity given you to answer it. If there is anything that bears upon this inquiry that is brought out by us, and which will help you, we will be glad to bring it out for you.

SIR ADAM BECK: I will make a special request for this report. You say that you have never seen it. After you have seen it, Mr. Chairman, will you let us have a copy, will you do that ?

THE CHAIRMAN: Mr. Ross suggests to me that if there is anything you want, if you will put it in writing we will be glad to consider it.

SIR ADAM BECK: I am here as a witness, and I am Chairman

of the Commission and I say will you, after you have seen it, tell us whether we can have it or not?

THE CHAIRMAN: Yes. I don't know the report of which you speak. I don't know of any such report being in existence. I want you to put in writing just what you want, and address to myself, or to the Secretary of the Commission, and we will take action at once. I would like you to be specific.

SIR ADAM BECK: How can we be when we do not know what they are submitting.

THE CHAIRMAN: I understood you to say you did know.

SIR ADAM BECK: I say we have general knowledge that reports are being made to your Commission by this firm of Accountants other than are being submitted here, and we ask for copies of those reports.

THE CHAIRMAN: You must be specific, Sir Adam, and tell me. We are having reports from them all the time.

SIR ADAM BECK: We are entitled to copies of those. Shouldn't we know what they say?

THE CHAIRMAN: We know what we want to find out. We shall only be too glad to put any questions you wish us to ask.

SIR ADAM BECK: We desire that every opportunity should be granted to bring out matters that are of public interest, and I do think that we are entitled to the matter that is being submitted to you, and which is guiding you in this, so that we may have our accountants look into the question. We have very little opportunity ourselves to bring out those matters.

THE CHAIRMAN: You say you have little opportunity to bring out those things here. I am surprised to hear you say that. We want to give you every opportunity, and if we do not give you every opportunity I want you to let us know.

That is why I asked Mr. Pierdon if he wished to say anything now, and if on any other occasion there is anything you want to bring out we will give you every opportunity to be heard.

SIR ADAM BECK: We do not think this is the proper way to bring those matters out, this way of getting one witness here and another one there, asking specific questions that you see fit to put to them, especially from officials of the Hydro.

THE CHAIRMAN: We will give you every opportunity, Sir Adam, and if we do not ask please tell us, and we will ask the questions that you desire to be asked.

SIR ADAM BECK: They have no opportunity --

THE CHAIRMAN: We want to give you the very fullest opportunity.

SIR ADAM BECK: I don't think we have had that. I have expressed myself before.

THE CHAIRMAN: If at any time you do not have the fullest opportunity I will be greatly obliged if you will let me know.

SIR ADAM BECK: I asked to have Counsel here to take care of our affairs, and we have been denied that privilege.

THE CHAIRMAN: We stated very clearly our position when the investigation began.

SIR ADAM BECK: I think it is entirely unfair.

THE CHAIRMAN: We stated our position at the beginning that we did not propose to have Counsel.

SIR ADAM BECK: I think it is entirely unfair that an organization like this that is on trial has no one to represent them, but are simply used as witnesses.

THE CHAIRMAN: They have you and Mr. Gaby.

SIR ADAM BECK: Oh, Mr. Gaby -- you are a lawyer, that is your profession. You have got the questions there to suit your case.

THE CHAIRMAN: No.

SIR ADAM BECK: Excuse me, that is my opinion.

THE CHAIRMAN: Not to suit our case, but to find out all we can, and if there are some questions which you would like asked and which we do not ask, and you will tell us, we will ask them at once.

SIR ADAM BECK: I am not asking for that. I asked before to have Counsel here representing our organization, and you denied us a representation.

THE CHAIRMAN: We will be glad to hear you on every occasion.

SIR ADAM BECK: I can speak for myself, but our organization cannot speak for itself, Pierdon and the others that are involved in the questions which you see fit to ask. You are acting as Counsel for the Commission.

THE CHAIRMAN: No, I am not acting.

SIR ADAM BECK: Well, you go through the performance.

THE CHAIRMAN: I want to ask your questions as much as any others. I want to ask any questions you desire, and will be glad to do so. Is there anything further?

SIR ADAM BECK: No, not so far as I am concerned.

THE CHAIRMAN: Mr. Pope was to give us those Minutes.

MR. POPE: This is what you want, this is the 23rd of May.

THE CHAIRMAN: The 25th, Mr. Gaby said. We were told yesterday that there would be a Minute referring to this Bingham Chute.

MR. GABY: It is included in the estimate; it is a complete estimate submitted. It does not refer to any one part of the System. The estimate includes Bingham Chute.

THE CHAIRMAN: So there is no reference to Bingham Chute in the Minutes, except by referring to this general statement.

MR. GABY: By referring to the complete estimates sent to

the first time, and the author's name is given.

It is a very interesting paper.

It is a good paper, but I do not think it has much value in itself.

It is a good paper.

It is a good paper, but I do not think it has much value in itself.

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the Government, which includes Niagara and all other Systems.

SIR ADAM BECK: They have access to all those every day if they want them.

MR. POPE: OH, yes, Sir Adam, everybody.

THE CHAIRMAN: I think we were told yesterday that there was specific reference to Bingham Chute. In a sense there is, by reference to that estimate which you are submitting.

MR. POPE: Do you want a copy of them ?

THE CHAIRMAN: Yes. In that sense, the general statement contains a detailed statement in each case.

MR. GABY: Yes, submitted to the Commission, and the amended statement was prepared from that detail statement.

THE CHAIRMAN: We were told also, Mr. Gaby, that there was a detailed statement submitted by your staff showing how that was made up.

MR. GABY: No, they would submit to me what they estimated as their requirements for the particular works which they thought they would go on with. As you know, they would require appropriations, but those would be gone over by myself and staff, and we would come to some conclusion as to what should be submitted to the Commission, and the Commission would then decide what would be submitted to the Government.

THE CHAIRMAN: So you have in detail a statement showing how that \$300,000 odd was arrived at ?

MR. GABY: We have a statement showing how it was arrived at, a general statement, submitted to the Commission, and then submitted by them to the Government, showing how the \$300,000 is made up. We have detailed estimates of the particular items along with a number of other items, and we choose from those what we think or estimate will be gone on with.

and the first time I have seen it. It is a very
large tree, and the wood is very hard.
The bark is smooth and greyish brown.
The leaves are large and pointed, and the flowers
are white and fragrant. The fruit is
a large, round, yellowish orange.
The tree is very tall and straight,
and the wood is used for making
furniture and other household articles.
The bark is used for making
dyes and paints.
The leaves are used for making
shades and curtains.
The flowers are used for making
perfumes and essences.
The fruit is eaten raw or cooked.
The tree is very useful and valuable.
It is a very good tree to have in your garden.

THE CHAIRMAN: Would that detailed statement you have show how much was to be spent on Bingham Chute and how much on the other plants ?

MR. GABY: Yes.

THE CHAIRMAN: And for what purpose it was to be used ?

MR. GABY: Yes.

THE CHAIRMAN: Could you let us see that ?

MR. GABY: Yes.

THE CHAIRMAN: That is one of the things we spoke to Mr. Jeffrey about.

SIR ADAM BECK: Is there anything else I can do for you, Mr. Chairman ?

THE CHAIRMAN: I cannot think of anything more just now, Sir Adam. I may say our Engineer, Mr. Frances, tells us that he has got every assistance from you, and our Accountants say Mr. Pierdon is very helpful to them.

SIR ADAM: Yes, and they are wearing out about ten times as soon as they ought to over it all. They have had a pretty big responsibility in the last fifteen years.

(The hearing on the Central Ontario System adjourned at 1.25 p.m. Thursday, 30th November, 1922,
sine die.)



